



ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009

CITY OF STAYTON

For the Year Ended June 30, 2009

CITY COUNCIL

**Term Expires/Expired
December 31,**

Mayor

Gerry Aboud
836 E. Kathy Street
Stayton, OR 97383

2010

Virginia Honeywell
855 E. Kathy Street
Stayton, OR 97383

2008

Councilors

James Loftus
633 N. Third Avenue
Stayton, OR 97383

2012

Catherine Hemshorn
642 N. Third Avenue
Stayton, OR 97383

2010

Scott Vigil
160 N. Third Avenue
Stayton, OR 97383

2012

Don Walters
450 W. Locust St.
Stayton, OR 97383

2010

Steve Frank
1515 E. Jefferson
Stayton, OR 97383

2010

Scott Vigil
160 N. Evergreen
Stayton, OR 97383

2008

Jack Frisk
540 N. Third Avenue
Stayton, OR 97383

2008

Tim Grimes
525 Mill Stream Woods
Stayton, OR 97383

2008

CITY STAFF

Don Eubank, *Administrator*

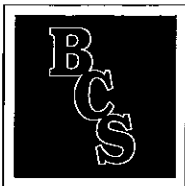
Christine Shaffer, *Finance Director*

CITY OF STAYTON
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BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF STAYTON
Stayton, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF STAYTON** as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF STAYTON**, as of June 30, 2009, the respective changes in financial position, and cash flows, where applicable, thereof, and the budgetary comparisons for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A

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Established - 1968

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STAYTON: 408 NORTH THIRD AVENUE ■ STAYTON, OR 97383 ■ PHONE: (503) 769-2186 ■ FAX: (503) 769-4312

ALBANY: 321 1st AVENUE E STE 2A ■ ALBANY, OR 97321 ■ PHONE: (541) 928-6500 ■ FAX: (541) 928-6501

Honorable Mayor and Members
of the City Council
CITY OF STAYTON
Stayton, Oregon

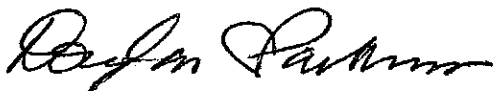
In accordance with *Government Auditing Standards*, we have also issued our report February 3, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages a through g is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards as listed in the Grant Compliance – Single Audit section of the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the **CITY OF STAYTON**. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

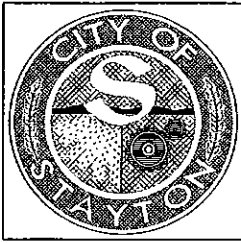
Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
February 3, 2010

By:



Douglas C. Parham, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Stayton

As management of the City of Stayton (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis, provide these significant key financial highlights for 2009 as follows.

- The City's total net assets of \$37.4 million in governmental activities and \$13.2 million in business-type activities represent 74% and 26% respectively, of the total net assets of \$50.6 million.
- General revenues from governmental activities accounted for \$3.0 million in revenue, or 80% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$750 thousand or 20% of total governmental activities revenues. The City had \$3.7 million of program revenues and \$230 thousand in general revenues related to business-type activities.
- The major governmental fund, the General Fund, had \$2.76 million in revenues, which primarily consisted of property taxes, franchise fees, intergovernmental taxes, charges for services, and licenses and permits. The total expenditures of the General Fund were \$2.9 million and the fund balance decreased from \$1 million to \$929 thousand.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Net assets are categorized as capital assets less related debt, restricted by an outside third party, and unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, highways and streets, and culture and recreation. Property taxes, franchise fees, state shared revenues and charges for services finance most of these activities.
- **Business type activities** – The services provided by the City included here are water, sewer and the swimming pool. The services are financed through user fees and charges.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 3 and 4, respectively.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the supplemental section of this report.

Proprietary funds. The City maintains six proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and swimming pool services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and sewer construction funds, all of which are considered to be major funds of the City. Individual fund data for each of the non-major enterprise funds are provided in the form of combining statements and schedules in the supplemental section of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents disclosures and independent auditor's comments required by the minimum standards for audits of Oregon municipal corporations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$50.6 million as of June 30, 2009.

A significant portion of the City's net assets (88% percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a condensed statement of the City's net assets for the fiscal year ended June 30, 2009 and 2008.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 2,864,947	\$ 3,012,803	\$ 4,645,503	\$ 4,773,396	\$ 7,510,450	\$ 7,786,199
Capital assets, net	35,007,570	33,799,347	17,915,704	16,362,381	52,923,274	50,161,728
Total assets	<u>37,872,517</u>	<u>36,812,150</u>	<u>22,561,207</u>	<u>21,135,777</u>	<u>60,433,724</u>	<u>57,947,927</u>
Liabilities						
Current liabilities	359,517	500,838	938,820	367,774	1,298,337	868,612
Non-current liabilities	156,754	147,022	8,366,875	8,136,579	8,523,629	8,283,601
Total liabilities	<u>516,271</u>	<u>647,860</u>	<u>9,305,695</u>	<u>8,504,353</u>	<u>9,821,966</u>	<u>9,152,213</u>
Net assets						
Invested in capital assets, net of related debt	34,986,266	33,749,383	9,569,986	8,238,876	44,556,252	41,988,259
Restricted	602,337	585,851	1,361,509	1,553,530	1,963,846	2,139,381
Unrestricted	1,767,643	1,829,056	2,324,017	2,839,018	4,091,660	4,668,074
Total net assets	<u>\$ 37,356,246</u>	<u>\$ 36,164,290</u>	<u>\$ 13,255,512</u>	<u>\$ 12,631,424</u>	<u>\$ 50,611,758</u>	<u>\$ 48,795,714</u>

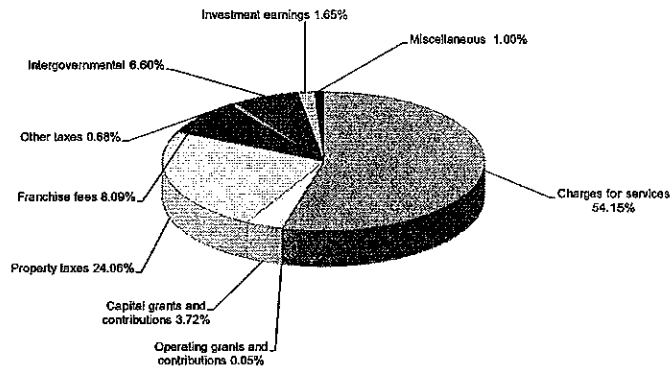
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Substantially upgrades to the water meters and water lines completed.
- Water Treatment Plant upgrade in progress.

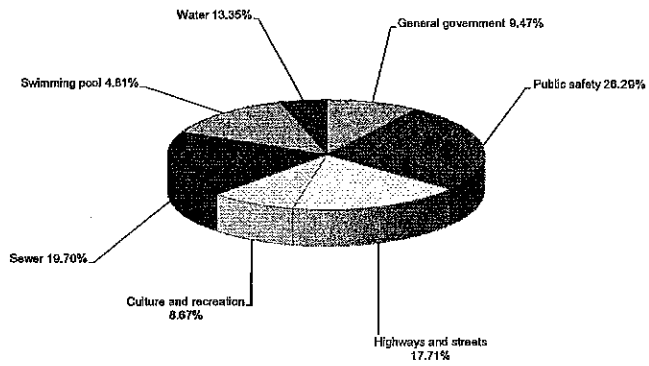
Changes in net assets. The City's total revenues for the fiscal year ended June 30, 2009, were \$7.1 million. The total cost of all programs and services was \$6.7 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2009 and 2008.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues						
Program:						
Charges for services	\$ 487,204	\$ 451,695	\$ 3,644,158	\$ 3,460,227	\$ 4,131,362	\$ 3,911,922
Operating grants and contributions	4,003	1,600	-	-	4,003	1,600
Capital grants and contributions	259,070	59,595	24,792	72,637	283,862	132,232
General:						
Property taxes	1,739,788	1,685,080	96,026	106,751	1,835,814	1,798,813
Franchise taxes	617,481	627,931	-	-	617,481	627,931
Other taxes	51,592	49,816	-	-	51,592	49,816
Intergovernmental	503,709	520,658	-	-	503,709	520,658
Investment earnings	38,146	98,374	87,806	201,013	125,952	299,387
Miscellaneous	28,794	31,344	46,708	15,676	75,502	47,020
Total Revenues	<u>3,729,787</u>	<u>3,526,093</u>	<u>3,899,490</u>	<u>3,856,304</u>	<u>7,629,277</u>	<u>7,389,379</u>
Expenses						
General government	715,030	745,649	-	-	715,030	745,649
Public safety	1,983,893	1,943,299	-	-	1,983,893	1,943,299
Highways and streets	1,336,371	1,498,829	-	-	1,336,371	1,498,829
Culture and recreation	654,298	631,146	-	-	654,298	631,146
Sewer	-	-	1,486,330	1,915,313	1,486,330	1,915,313
Water	-	-	363,137	1,078,231	363,137	1,078,231
Swimming pool	-	-	1,007,369	341,099	1,007,369	341,099
Total Expenses	<u>4,689,592</u>	<u>4,818,923</u>	<u>2,856,836</u>	<u>3,334,643</u>	<u>7,546,428</u>	<u>8,153,566</u>
Excess before transfers	(959,805)	(1,292,830)	1,042,654	521,661	82,849	(764,187)
Transfers in (out)	<u>353,083</u>	<u>484,822</u>	<u>(353,083)</u>	<u>(484,822)</u>	<u>-</u>	<u>-</u>
Change in net assets	(606,722)	(808,008)	689,571	36,839	82,849	(764,187)
Net Assets - Beginning	36,164,290	37,020,617	12,631,424	12,376,812	48,795,714	49,397,429
Prior period adjustment	<u>1,798,678</u>	<u>(55,301)</u>	<u>(65,483)</u>	<u>217,773</u>	<u>1,733,195</u>	<u>162,472</u>
Net Assets - Ending	<u>\$ 37,356,246</u>	<u>\$ 36,157,308</u>	<u>\$ 13,255,512</u>	<u>\$ 12,631,424</u>	<u>\$ 50,611,758</u>	<u>\$ 48,795,714</u>

Revenue Sources Fiscal Year 2008-09



Functional Expenses - Fiscal Year 2008-09



As evident in the previous graph the largest financing source for the City is charges for services at 54.15% due primarily to the user fees and charges for services in the business-type activities. Property taxes also comprise a significant portion of the City's revenues at 24.06% of the total revenues with franchise fees accounting for an additional 8.09% of the City's total revenues.

The City as a whole uses the largest amount of resources for public safety at 26.29% of the total functional expenses of the City. Highways and streets and sewer operations are the next largest users of resources at 17.71% and 19.70%, respectively, with water services also accounting for 13.35% of the City's total expenses. General government expenses account for 9.47%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$2.38 million. Total fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$928,536. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32 percent of total general fund expenditures.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets for the Enterprise Funds at the end of the fiscal year amounted to \$13.26 million. Net assets after invested in capital assets, net of related debt are 10.27% restricted and 17.53% unrestricted.

BUDGETARY HIGHLIGHTS

A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. During the fiscal year, the City modified the adopted budget with appropriation transfers as needed to meet program requirements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the City had invested \$44.56 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$1.2 million.

The following table presents capital asset balances net of accumulated depreciation for the fiscal years, ended June 30, 2009 and 2008.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,537,242	\$ 1,537,242	\$ 225,743	\$ 225,332	\$ 1,762,985	\$ 1,762,574
Construction in progress	-	-	1,017,229	174,544	1,017,229	174,544
Building and building Improvements	2,685,650	2,636,436	418,691	331,654	3,104,341	2,968,090
Infrastructure	29,035,170	29,665,550	15,684,882	15,124,636	44,720,052	44,790,186
Other improvements	1,188,010	1,199,633	101,238	110,094	1,289,248	1,309,727
Equipment and vehicles	561,498	559,164	467,921	330,638	1,029,419	889,802
Total	<u>\$ 35,007,570</u>	<u>\$ 35,598,025</u>	<u>\$ 17,915,704</u>	<u>\$ 16,296,898</u>	<u>\$ 52,923,274</u>	<u>\$ 51,894,923</u>

Additional information on the City's capital assets can be found in Note 4 of the financial statements.

Debt Administration. At year-end, the City had \$8.5 million in long-term debt outstanding with \$582 thousand due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2009 and 2008.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ -	\$ -	\$ 509,957	\$ 697,514	\$ 509,957	\$ 697,514
Revenue bonds	-	-	2,560,509	2,603,155	2,560,509	2,603,155
State revolving loan	-	-	5,275,252	4,822,836	5,275,252	4,822,836
Capital leases	21,304	49,964	-	-	21,304	49,964
Compensated absences	135,450	97,058	21,157	13,074	156,607	110,132
Total	<u>\$ 156,754</u>	<u>\$ 147,022</u>	<u>\$ 8,366,875</u>	<u>\$ 8,136,579</u>	<u>\$ 8,523,629</u>	<u>\$ 8,283,601</u>

Additional information on the City's long-term debt can be found in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2009-2010 budget. The City continued to put together a "status quo" budget, due to a slight downturn in statewide and national economies, no increase in the current tax rate and a limited growth rate among revenues, while inflationary rates of expenditures increased.

These indicators were considered when adopting the budget for fiscal year 2009-2010. Amounts available for appropriation in the General Fund budget are \$4,043,403, a slight decrease. No new programs were added to the 2009-2010 budget.

The City continues to work toward implementation of the adopted Water and Sewer Master Plans. The major design work is completed on Sewer System improvements. Water System Improvement construction should be completed in the summer. We are in the fourth year of a series of rate increases for both water and sewer, intended to provide for debt service on a new set of low interest loans through the State of Oregon and USDA Rural Development to pay for these capital projects. These loans, approximately \$5.5 million for water projects and approximately \$5.8 million for sewer projects, we are continuing work to obtain Federal stimulus money to assist with these projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Finance Director, City of Stayton, 362 North Third Avenue, Stayton, OR 97383-1726.

BASIC FINANCIAL STATEMENTS

CITY OF STAYTON

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and investments	\$ 2,131,160	\$ 4,206,953	\$ 6,338,113
Receivables	490,912	681,425	1,172,337
Internal balances	242,875	(242,875)	-
Capital assets:			
Land	1,537,242	225,743	1,762,985
Construction in progress	-	1,017,229	1,017,229
Other capital assets, net	33,470,328	16,672,732	50,143,060
TOTAL ASSETS	<u>37,872,517</u>	<u>22,561,207</u>	<u>60,433,724</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	78,445	493,288	571,733
Payroll and other liabilities	78,502	-	78,502
Customer deposits	2,570	46,594	49,164
Accrued interest payable	-	79,285	79,285
Deferred revenues	200,000	319,653	519,653
Long-term obligations:			
Due within one year	147,262	434,406	581,668
Due in more than one year	9,492	7,932,469	7,941,961
TOTAL LIABILITIES	<u>516,271</u>	<u>9,305,695</u>	<u>9,821,966</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	34,986,266	9,569,986	44,556,252
Restricted for:			
Capital projects	602,337	932,017	1,534,354
Debt service	-	336,767	336,767
Other projects	-	92,725	92,725
Unrestricted	1,767,643	2,324,017	4,091,660
TOTAL NET ASSETS	<u>\$ 37,356,246</u>	<u>\$ 13,255,512</u>	<u>\$ 50,611,758</u>

CITY OF STAYTON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities							
General government	\$ 715,030	\$ 95,813	\$ -	\$ -	\$ (619,217)		\$ (619,217)
Public safety	1,983,893	299,777	1,127	-	(1,682,989)		(1,682,989)
Highways and streets	1,336,371	-	-	91,996	(1,244,375)		(1,244,375)
Culture and recreation	654,298	91,614	2,876	167,074	(392,734)		(392,734)
TOTAL GOVERNMENTAL ACTIVITIES	4,689,592	487,204	4,003	259,070	(3,939,315)		(3,939,315)
Business-type activities							
Sewer	1,486,330	2,155,512	-	14,112		\$ 683,294	683,294
Water	1,007,369	1,337,948	-	10,680		341,259	341,259
Swimming pool	363,137	150,698	-	-		(212,439)	(212,439)
TOTAL BUSINESS-TYPE ACTIVITIES	2,856,836	3,644,158	-	24,792		812,114	812,114
TOTALS	\$ 7,546,428	\$ 4,131,362	\$ 4,003	\$ 283,862	(3,939,315)	812,114	(3,127,201)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,739,788	96,026	1,835,814
Franchise taxes					617,481	-	617,481
Other					51,592	-	51,592
Grants and contributions not restricted to specific programs					503,709	-	503,709
Unrestricted investment earnings					38,146	87,806	125,952
Miscellaneous					28,794	46,708	75,502
Transfers					353,083	(353,083)	-
TOTAL GENERAL REVENUES AND TRANSFERS					3,332,593	(122,543)	3,210,050
Change in net assets					(606,722)	689,571	82,849
NET ASSETS - beginning					36,164,290	12,631,424	48,795,714
Prior period adjustment					1,798,678	(65,483)	1,733,195
NET ASSETS - ending					\$ 37,356,246	\$ 13,255,512	\$ 50,611,758

CITY OF STAYTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Other Governmental Funds	Totals
<u>ASSETS</u>			
Cash and investments	\$ 783,531	\$ 1,347,629	\$ 2,131,160
Due from other funds	154,609	-	154,609
Advances to other funds	-	90,000	90,000
Receivables	231,726	259,186	490,912
TOTAL ASSETS	\$ 1,169,866	\$ 1,696,815	\$ 2,866,681
<u>LIABILITIES</u>			
Accounts payable	\$ 43,901	\$ 34,544	\$ 78,445
Payroll and other liabilities	78,502	-	78,502
Due to general fund	-	1,734	1,734
Consumer deposits	2,570	-	2,570
Deferred revenue	116,357	209,456	325,813
TOTAL LIABILITIES	241,330	245,734	487,064
<u>FUND BALANCES</u>			
Unreserved reported in:			
General fund	928,536	-	928,536
Special revenue funds	-	1,278,829	1,278,829
Capital projects funds	-	172,252	172,252
TOTAL FUND BALANCES	928,536	1,451,081	2,379,617
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,169,866	\$ 1,696,815	
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			35,007,570
Other long-term assets are not available for current-period expenditures and, therefore, are not deferred in the funds.			
Deferred revenue			125,813
Some liabilities, including accumulated unpaid vacation, are not due and payable in the current period and, therefore, are not reported in the funds.			(156,754)
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 37,356,246

CITY OF STAYTON

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2009

	General	Other Governmental Funds	Totals
REVENUES			
Property taxes	\$ 1,586,304	\$ 131,460	\$ 1,717,764
Other taxes	-	51,592	51,592
Charges for services	222,094	66,247	288,341
Franchise fees	617,481	-	617,481
Grants and contributions	2,601	72,235	74,836
Licenses, permits and fees	32,629	10,414	43,043
Fines and forfeitures	56,777	14,953	71,730
Assessments	-	560	560
Intergovernmental	174,776	368,756	543,532
Rent	32,258	32,376	64,634
Interest	10,968	27,178	38,146
Miscellaneous	26,887	1,907	28,794
TOTAL REVENUES	<u>2,762,775</u>	<u>777,678</u>	<u>3,540,453</u>
EXPENDITURES			
Current:			
General government	664,127	27,485	691,612
Public safety	1,906,623	51,592	1,958,215
Highways and streets	83,791	562,815	646,606
Culture and recreation	179,475	332,787	512,262
Capital outlay	67,579	241,989	309,568
TOTAL EXPENDITURES	<u>2,901,595</u>	<u>1,216,668</u>	<u>4,118,263</u>
Excess (deficiency) of revenues over expenditures	<u>(138,820)</u>	<u>(438,990)</u>	<u>(577,810)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	299,791	635,671	935,462
Transfers out	<u>(256,800)</u>	<u>(148,867)</u>	<u>(405,667)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,991</u>	<u>486,804</u>	<u>529,795</u>
Net change in fund balances	(95,829)	47,814	(48,015)
Fund balances at beginning of year	<u>1,024,365</u>	<u>1,403,267</u>	<u>2,427,632</u>
Fund balances at end of year	<u>\$ 928,536</u>	<u>\$ 1,451,081</u>	<u>\$ 2,379,617</u>

See notes to basic financial statements

CITY OF STAYTON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (48,015)**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capital outlay	\$ 89,591	
(Loss) on disposal of asset	(1,250)	
Depreciation	<u>(826,650)</u>	(738,309)

Revenues in the Statement of Activities that do not provide Current financial resources are not reported as revenues in the funds as follows:

Taxes	41,480	
Charges for services	19,456	
Capital contributions of infrastructure-library	<u>147,854</u>	189,334

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the government-wide statements.

28,660

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		<u>(38,392)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (606,722)**

CITY OF STAYTON

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 1,607,070	\$ 1,586,304	\$ (20,766)
Charge of services	262,900	222,094	(40,806)
Franchise fees	602,000	617,481	15,481
Grants and contributions	2,480	2,601	121
Licenses, permits and fees	31,600	32,629	1,029
Fines and forfeitures	46,600	56,777	10,177
Intergovernmental	156,200	174,776	18,576
Rent	28,200	32,258	4,058
Interest	40,000	10,968	(29,032)
Miscellaneous	22,000	26,887	4,887
TOTAL REVENUES	<u>2,799,050</u>	<u>2,762,775</u>	<u>(36,275)</u>
EXPENDITURES			
Personal services	2,403,675	2,057,290	346,385
Materials and services	932,862	744,758	188,104
Capital outlay	136,030	67,579	68,451
Debt service	-	31,968	(31,968)
Contingency	169,474	-	169,474
TOTAL EXPENDITURES	<u>3,642,041</u>	<u>2,901,595</u>	<u>740,446</u>
Excess (deficiency) of revenues over expenditures	<u>(842,991)</u>	<u>(138,820)</u>	<u>704,171</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	299,791	299,791	-
Transfers out	<u>(256,800)</u>	<u>(256,800)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,991</u>	<u>42,991</u>	<u>-</u>
Net change in fund balance	(800,000)	(95,829)	704,171
Fund balance at beginning of year	<u>950,000</u>	<u>1,024,365</u>	<u>74,365</u>
Fund balance at end of year	<u>\$ 150,000</u>	<u>\$ 928,536</u>	<u>\$ 778,536</u>

CITY OF STAYTON

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009**

	Enterprise Funds			
	Sewer	Water	Other	Totals
<u>ASSETS</u>				
Current assets				
Cash and investments	\$ 2,940,814	\$ 214,563	\$ 1,051,576	\$ 4,206,953
Receivables	153,875	116,164	411,386	681,425
Total current assets	3,094,689	330,727	1,462,962	4,888,378
Capital assets				
Land	215,332	10,411	-	225,743
Construction in progress	215,591	801,638	-	1,017,229
Other capital assets, net	7,983,085	8,389,376	300,271	16,672,732
Total capital assets	8,414,008	9,201,425	300,271	17,915,704
TOTAL ASSETS	11,508,697	9,532,152	1,763,233	22,804,082
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable	172,132	125,331	195,825	493,288
Due to other funds	-	-	152,875	152,875
Advances from other funds	-	-	90,000	90,000
Customer deposits	23,297	23,297	-	46,594
Accrued interest payable	67,856	11,429	-	79,285
Deferred revenue	-	-	319,653	319,653
Compensated absences payable	5,845	10,909	4,403	21,157
Current portion long-term obligations	219,002	194,247	-	413,249
Total current liabilities	488,132	365,213	762,756	1,616,101
Long-term obligations	6,564,314	1,368,155	-	7,932,469
TOTAL LIABILITIES	7,052,446	1,733,368	762,756	9,548,570
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,630,692	7,639,023	300,271	9,569,986
Restricted for:				
Capital projects	-	-	664,291	664,291
Debt service	336,767	-	-	336,767
Other purposes	-	-	92,725	92,725
Unrestricted	2,488,792	159,761	(56,810)	2,591,743
TOTAL NET ASSETS	\$ 4,456,251	\$ 7,798,784	\$ 1,000,477	\$ 13,255,512

CITY OF STAYTON

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2009

	Enterprise Funds			Totals
	Sewer	Water	Other	
OPERATING REVENUES				
Charges for services	\$ 2,155,512	\$ 1,337,948	\$ 137,069	\$ 3,630,529
Sales of merchandise	-	-	13,629	13,629
Total operating revenues	<u>2,155,512</u>	<u>1,337,948</u>	<u>150,698</u>	<u>3,644,158</u>
OPERATING EXPENSES				
Personal services	405,368	424,423	223,725	1,053,516
Material and services	638,019	374,129	127,784	1,139,932
Depreciation	<u>162,769</u>	<u>184,703</u>	<u>11,628</u>	<u>359,100</u>
Total operating expenses	<u>1,206,156</u>	<u>983,255</u>	<u>363,137</u>	<u>2,552,548</u>
Operating income (loss)	<u>949,356</u>	<u>354,693</u>	<u>(212,439)</u>	<u>1,091,610</u>
NON-OPERATING REVENUES (EXPENSES)				
Capital grants and system development charges	-	-	24,792	24,792
Taxes	-	-	96,026	96,026
Fees and permits	-	17,797	-	17,797
Interest	55,053	9,711	23,042	87,806
Miscellaneous	7,750	3,915	17,246	28,911
Interest expense	<u>(280,174)</u>	<u>(24,114)</u>	<u>-</u>	<u>(304,288)</u>
Total non-operating revenue (expenses)	<u>(217,371)</u>	<u>7,309</u>	<u>161,106</u>	<u>(48,956)</u>
Income (loss) before transfers	<u>731,985</u>	<u>362,002</u>	<u>(51,333)</u>	<u>1,042,654</u>
TRANSFERS				
Transfers in	466,020	808,897	680,985	1,955,902
Transfers out	<u>(360,803)</u>	<u>(847,192)</u>	<u>(1,100,990)</u>	<u>(2,308,985)</u>
Total transfers	<u>105,217</u>	<u>(38,295)</u>	<u>(420,005)</u>	<u>(353,083)</u>
Change in net assets	837,202	323,707	(471,338)	689,571
Net assets at beginning of year	3,684,532	7,475,077	1,471,815	12,631,424
Prior period adjustment	<u>(65,483)</u>	<u>-</u>	<u>-</u>	<u>(65,483)</u>
Net assets at end of year	<u>\$ 4,456,251</u>	<u>\$ 7,798,784</u>	<u>\$ 1,000,477</u>	<u>\$ 13,255,512</u>

See notes to basic financial statements

CITY OF STAYTON

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009**

	Enterprise Funds			
	Sewer	Water	Other	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,175,794	\$ 1,314,384	\$ 161,888	\$ 3,652,066
Payments to suppliers	(579,978)	(264,016)	(142,805)	(986,799)
Payments to employees	(403,633)	(422,478)	(219,322)	(1,045,433)
Net cash provided by (used in) operating activities	<u>1,192,183</u>	<u>627,890</u>	<u>(200,239)</u>	<u>1,619,834</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	147,380	108,140	101,300	356,820
Transfers out	(360,803)	(267,507)	(258,305)	(886,615)
Net cash provided by (used in) non-capital financing activities	<u>(213,423)</u>	<u>(159,367)</u>	<u>(157,005)</u>	<u>(529,795)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from property taxes	-	-	95,183	95,183
Proceeds from long-term obligations	-	-	500,922	500,922
Receipts from SDC assessments	-	-	24,792	24,792
Fees, permits and other	7,750	13,212	-	20,962
Interfund loans	-	-	234,549	234,549
Acquisition of capital assets or construction in progress	(369,462)	(473,203)	(804,583)	(1,647,248)
Principal paid on long-term obligations	(169,915)	(187,557)	-	(357,472)
Interest paid on long-term obligations	(320,938)	(28,724)	-	(349,662)
Net cash provided by (used in) capital and related financing activities	<u>(852,565)</u>	<u>(676,272)</u>	<u>50,863</u>	<u>(1,477,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	<u>55,053</u>	<u>9,711</u>	<u>23,042</u>	<u>87,806</u>
Net increase (decrease) in cash and cash equivalents	181,248	(198,038)	(283,339)	(300,129)
Cash and cash equivalents - beginning of year	2,759,566	412,601	1,334,915	4,507,082
Cash and cash equivalents - end of year	<u>\$ 2,940,814</u>	<u>\$ 214,563</u>	<u>\$ 1,051,576</u>	<u>\$ 4,206,953</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 949,356	\$ 354,693	\$ (211,596)	\$ 1,092,453
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	162,769	184,703	11,628	359,100
Miscellaneous	-	-	16,403	16,403
(Increase) decrease in assets				
Receivables	21,188	(22,658)	(6,056)	(7,526)
Increase (decrease) in liabilities				
Accounts payable	58,041	110,113	(15,021)	153,133
Customer deposits	(906)	(906)	-	(1,812)
Compensated absences payable	1,735	1,945	4,403	8,083
Net cash provided by (used in) operating activities	<u>\$ 1,192,183</u>	<u>\$ 627,890</u>	<u>\$ (200,239)</u>	<u>\$ 1,619,834</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Transfers in	\$ 318,640	\$ 700,757	\$ 579,685	\$ 1,599,082
Transfers out	<u>-</u>	<u>(579,685)</u>	<u>(842,685)</u>	<u>(1,422,370)</u>
Total noncash transactions	<u>\$ 318,640</u>	<u>\$ 121,072</u>	<u>\$ (263,000)</u>	<u>\$ 176,712</u>

See notes to basic financial statements

CITY OF STAYTON

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2009

	<u>Agency</u>
ASSETS	
Cash	
	<u>\$ 186,920</u>
LIABILITIES	
Accounts payable	4,908
Amounts held in trust	<u>182,012</u>
TOTAL LIABILITIES	<u>186,920</u>
NET ASSETS	<u><u>\$ -</u></u>

CITY OF STAYTON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

1. Summary of significant accounting policies

A. Organization (reporting entity)

The City provides basic services to the citizens within the city limits.

Control of the City is vested in its mayor and council members who are elected to office by voters within the City. Administrative functions are delegated to the City administrator who reports to and is responsible to the mayor and council. The chief administrative officer is the City Administrator.

The accompanying financial statements present all activities, funds, and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

B. Government-wide financial statements and financial statement presentation

The financial statements of the **CITY OF STAYTON** have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

The basic financial statements include both government-wide and fund based financial statements. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the City's programs. Direct expenses are those that are clearly allocable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

When both restricted and unrestricted resources are available for use it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term obligations are reported as other financing sources.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements

The fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

The City reports the following major governmental funds:

General – accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations and planning and community development.

The City reports the following major proprietary funds:

Sewer – accounts for the operation of the City's sewer system.

Water – accounts for the operation of the City's water system.

The City also includes the following fund types as other governmental funds and other enterprise funds:

Special Revenue – account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Capital Projects – accounts for expenditures on major construction projects or equipment acquisition. Financial resources may be accumulated over time or may be provided by the issuance of long-term debt obligations.

Enterprise – accounts for the operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

Agency – accounts for funds received on behalf of other entities.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City establishes levels of budgetary control at personal services, materials and services, capital outlay, operating contingencies, and debt service for all funds, except the General Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City must authorize all appropriation transfers and supplementary budgetary appropriations.

E. User charges and fines receivable

User charges are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are not expected to be collected.

F. Capital assets

Capital assets are recorded in the Statement of Net Assets at cost or estimated historical cost if purchased or constructed. Donated items are recorded at their estimated fair value at the date of donation. The City records capital assets for items with original cost, or estimated fair value if donated, of amounts as shown below or more and an expected economic useful life of 1 year or more.

Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in the change in net assets. Depreciation taken on contributed fixed assets is recorded as an expense of operations and charged to retained earnings.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

F. Capital assets (continued)

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives and the threshold for capitalizing the purchase or donation of capital assets are as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings and improvements	50
Water and sewer systems	40
Machinery, equipment and vehicles	7 - 15
Land improvements	15

G. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over that life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and the excess of bond amounts issued to refund previously issued debt over the refunded debt are reported as deferred charges and amortized over the term of the related debt.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

H. Compensated absences - sick leave and vacation

The City has a policy which permits employees to accumulate unused sick leave at the rate of one day per month over their working careers. Full-time employees earn vacation at rates determined by length of employment.

I. Use of estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported receipts/revenues and disbursements/expenses. Actual results could vary from the estimates that were used.

2. Deposits and investments

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Credit risk: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2009, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	<u>\$ 6,422,381</u>

Interest Rate Risk: The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the State Treasurer's Investment Pool.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits: This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depositary Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2009, none of the City's bank balances were exposed to credit risk.

A. The City's deposits and investments at June 30, 2009, are as follows:

Total investments	\$ 6,422,381
Cash on hand	625
Cash with fiscal agent	13,701
Deposits with financial institutions	<u>88,326</u>
Total deposits and investments	<u>\$ 6,525,033</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

B. Cash and investments by fund:

Governmental activities/funds

General	\$ 783,531
Other governmental funds	<u>1,347,629</u>
Total governmental activities/funds	<u>2,131,160</u>

Business-type activities/Enterprise funds

Sewer	2,940,814
Water	214,563
Other enterprise fund	<u>1,051,576</u>
Total business-type activities/Enterprise funds	<u>4,206,953</u>

Fiduciary Funds

Agency	<u>186,920</u>
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Total cash and investments \$ 6,525,033

3. Receivables

A. The City's receivables at June 30, 2009, are shown below:

	Governmental Activities/Funds			Business-type Activities/ Enterprise Funds			
	General	Other	Totals	Sewer	Water	Other	Totals
Property taxes	\$ 111,962	\$ 9,456	\$ 121,418	\$ -	\$ -	\$ 6,914	\$ 6,914
Other	-	8,413	8,413	-	-	-	-
Franchise fees	73,201	-	73,201	-	-	-	-
Housing rehabilitation loans	-	200,000	200,000	-	-	-	-
Intergovernmental	46,563	41,317	87,880	-	-	404,472	404,472
User charges	-	-	-	153,875	116,164	-	270,039
	<u>\$ 231,726</u>	<u>\$ 259,186</u>	<u>\$ 490,912</u>	<u>\$ 153,875</u>	<u>\$ 116,164</u>	<u>\$ 411,386</u>	<u>\$ 681,425</u>

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Marion County bills and collects property taxes for the City.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes (continued)

ii. Transactions

	Balances July 1, 2008	2008-09 Levy	Adjust- ments	Net Interest (Discounts)	Collec- tions	Balances June 30, 2009
Current	\$ --	\$1,876,995	\$ (7,228)	\$ (45,737)	\$1,744,003	\$ 80,027
Prior	<u>107,311</u>	<u>--</u>	<u>(2069)</u>	<u>6,727</u>	<u>63,664</u>	<u>48,305</u>
	<u>\$ 92,621</u>	<u>\$1,876,995</u>	<u>\$ (9,297)</u>	<u>\$ (39,010)</u>	1,807,667	<u>\$128,332</u>
July and August 2008 tax collections					(16,907)	
July and August 2009 tax collections					14,363	
Payments in lieu of taxes					<u>8,667</u>	
Total property tax revenue					<u>\$1,813,790</u>	
<u>Analysis of revenue by fund</u>						
General					\$1,586,304	
Other Governmental					131,460	
Other Enterprise					<u>96,026</u>	
					<u>\$1,813,790</u>	

iii. Ensuing year's levy

The permanent tax rate will be \$3.3280 per \$1,000 of assessed value.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

In addition, The City will levy \$300,000 in local option operating tax during 2009-10.

C. Housing rehabilitation loans

The City has loaned money to qualifying property owners through a federally funded low-income housing rehabilitation program. The loans are non-interest bearing and become a lien against the property, payable upon sale of the property or death of the owner.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets

A. Capital asset activity in governmental activities for the year ended June 30, 2009 was as follows:

	Balances July 1, 2008 (Restated)	Additions	Deletions	Balances June 30, 2009
Capital assets, net being depreciated				
Land	\$ 1,537,242	\$ -	\$ -	\$ 1,537,242
Capital assets, being depreciated				
Building and building improvements	3,549,991	133,131	-	3,683,122
Infrastructure	48,487,501	11,600	-	48,499,101
Other improvements	1,708,567	-	-	1,708,567
Equipment and vehicles	1,000,613	92,714	16,763	1,076,564
Total capital assets, being depreciated	54,746,672	237,445	16,763	54,967,354
Less accumulated depreciation				
Buildings	913,555	83,917	-	997,472
Infrastructure	18,821,951	641,980	-	19,463,931
Other improvements	508,934	11,623	-	520,557
Equipment and vehicles	441,449	89,130	15,513	515,066
Total accumulated depreciation	20,685,889	826,650	15,513	21,497,026
Total capital assets, being depreciated, net	34,060,783	(589,205)	1,250	33,470,328
Governmental activities capital assets, net	\$ 35,773,928	\$ (589,205)	\$ 1,250	\$ 35,007,570

Depreciation expense was charged to Governmental Activities of the City as follows

Function/Program	
General government	\$ 13,079
Public safety	22,804
Highways and streets	695,061
Culture and recreation	95,706
	<u>\$ 826,650</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets (continued)

B. Capital asset activity in business-type activities for the year ended June 30, 2009 was as follows:

	Balances July 1, 2008 (Restated)	Additions	Deletions	Balances June 30, 2009
Capital assets, net being depreciated				
Land	\$ 225,332	\$ 411	\$ -	\$ 225,743
Construction in process	174,544	842,685	-	1,017,229
Total capital assets not being depreciated	399,876	843,096	-	1,242,972
Capital assets, being depreciated				
Building and building improvements	808,454	103,159	-	911,613
Infrastructure	20,522,535	841,772	-	21,364,307
Other improvements	1,484,078	-	-	1,484,078
Equipment and vehicles	755,624	189,879	-	945,503
Total capital assets, being depreciated	23,570,691	1,134,810	-	24,705,501
Less accumulated depreciation				
Buildings	476,800	16,122	-	492,922
Infrastructure	5,397,899	281,526	-	5,679,425
Other improvements	1,373,984	8,856	-	1,382,840
Equipment and vehicles	424,986	52,596	-	477,582
Total accumulated depreciation	7,673,669	359,100	-	8,032,769
Total capital assets, being depreciated, net	15,897,022	775,710	-	16,672,732
Governmental activities capital assets, net	\$ 16,296,898	\$ 1,618,806	\$ -	\$ 17,915,704

Depreciation expense was charged to business type activities of the City as follows

Function/Program	
Sewer	\$ 162,769
Water	184,703
Swimming pool	11,628
Total business type activities	\$ 359,100

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Construction commitments

The City has active construction projects as of June 30, 2009. The projects include construction improvements to the water treatment plant funded under a loan from the Safe Drinking Water Revolving Fund and for improvements to the wastewater treatment plant funded under a loan from the Water and Waste Loan and Grant Program.

Project	Contract	Expended to Date	Remaining Commitment
Engineering-water treatment plant	\$ 748,400	\$ 552,496	\$ 195,904
Construction-water treatment plant	3,645,944	179,174	3,466,770
Engineering-wastewater treatment plant	815,000	183,048	631,952
Total	<u>\$ 5,209,344</u>	<u>\$ 914,718</u>	<u>\$ 4,294,626</u>

6. Deferred revenue

Resources owned by the City, which are measurable but not available and therefore deferred in the funds, consist of the following:

	Governmental Activities/Funds			Business-type Activities/ Enterprise Funds
	General	Other	Totals	Other
Property taxes	\$ 96,901	\$ 9,456	\$ 106,357	\$ -
Intergovernmental	19,456	-	19,456	-
Housing rehabilitation loans	-	200,000	200,000	-
Grants	-	-	-	319,653
	<u>\$ 116,357</u>	<u>\$ 209,456</u>	<u>\$ 325,813</u>	<u>\$ 319,653</u>

7. Interfund receivables and payables

The composition of interfund balances at June 30, 2009, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Other enterprise funds	<u>\$ 154,609</u>

The outstanding balances between funds results from cash deficits in the funds which will be made up in the ensuing year by collections of receivables and transfers from other funds.

Advances from/to other funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	Other enterprise funds	<u>\$ 90,000</u>

The amount payable to the Vehicle Replacement Fund relates to a capital loan with a stated interest rate of 2 percent payable over the next four years with annual installments of \$23,636.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations

A. Governmental activities transactions for the year ended June 30, 2009 were as follows:

	Outstanding July 1, 2008	Additions	Reductions	Outstanding June 30, 2009	Balances Due Within One Year
Compensated absences	\$ 97,058	\$ 38,392	\$ -	\$ 135,450	\$ 135,450
<u>Capital Leases</u>					
Old National Bank, interest rate of 7.92 percent					
Principal	32,219	-	10,915	21,304	11,812
Interest	-	2,162	2,162	-	
	<u>32,219</u>	<u>2,162</u>	<u>13,077</u>	<u>21,304</u>	
Bank of Montana, interest rate of 8.05 percent					
Principal	17,745	-	17,745	-	
Interest	-	1,146	1,146	-	
	<u>17,745</u>	<u>1,146</u>	<u>18,891</u>	<u>-</u>	
Total Long-Term Obligations	147,022	41,700	31,968	156,754	\$ 147,262
Interest	-	3,308	3,308	-	
Principal	<u>\$ 147,022</u>	<u>\$ 38,392</u>	<u>\$ 28,660</u>	<u>\$ 156,754</u>	

B. Business-type activities transactions for the year ended June 30, 2009 were as follows:

	Outstanding July 1, 2008	Additions	Reductions	Outstanding June 30, 2009	Balances Due Within One Year
Special Public Works, Series 1993 - original amount \$510,000, interest rate of 5.19 percent					
Principal	\$ 222,514	\$ -	\$ 32,557	\$ 189,957	\$ 34,247
Interest	7,620	9,628	11,549	5,699	
	<u>230,134</u>	<u>9,628</u>	<u>44,106</u>	<u>195,656</u>	
Refunding Bonds, Series 2001 - original amount \$1,295,00, interest rates of 4.0 to 4.4 percent					
Principal	475,000	-	155,000	320,000	160,000
Interest	8,419	14,486	17,175	5,730	
	<u>483,419</u>	<u>14,486</u>	<u>172,175</u>	<u>325,730</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations (continued)

	Outstanding July 1, 2008	Additions	Reductions	Outstanding June 30, 2009	Balances Due Within One Year
Sewer Revenue Bond, US Department of Agriculture, original amount \$2,952,000, interest rate of 5.0 percent					
Principal	\$ 2,603,155	\$ -	\$ 42,646	\$ 2,560,509	\$ 43,980
Interest	12,837	129,190	129,397	12,630	
	<u>2,615,992</u>	<u>129,190</u>	<u>172,043</u>	<u>2,573,139</u>	
Oregon Department of Environmental Quality (ODEQ) Clean Water State revolving loan - total commitment of \$4,382,000, interest rate of 2.92 percent					
Principal	4,350,076	-	127,269	4,222,807	175,022
Interest	95,783	150,984	191,541	55,226	
	<u>4,445,859</u>	<u>150,984</u>	<u>318,810</u>	<u>4,278,033</u>	
Oregon Economic and Community Development Department (OECDD) Water State revolving loan, total commitment of \$4,208,900, interest rate of 3.4 percent(project in process)					
Principal	472,760	579,685	-	1,052,445	-
Interest	-	-	-	-	
	<u>472,760</u>	<u>579,685</u>	<u>-</u>	<u>1,052,445</u>	
	<u>8,248,164</u>	<u>883,973</u>	<u>707,134</u>	<u>8,425,003</u>	
Compensated absences	13,074	8,083	-	21,157	21,157
Total	8,261,238	892,056	707,134	8,446,160	<u>\$ 434,406</u>
Interest	124,659	304,288	349,662	79,285	
Principal	<u>\$ 8,136,579</u>	<u>\$ 587,768</u>	<u>\$ 357,472</u>	<u>\$ 8,366,875</u>	

C. Future maturities of governmental activities are as follows:

Fiscal Year	Compensated Absences	Capital Lease Old National Bank		Totals	
		Principal	Interest	Principal	Interest
2010	\$ 135,450	\$ 11,812	\$ 1,265	\$ 147,262	\$ 1,265
2011	-	9,492	316	9,492	316
	<u>\$ 135,450</u>	<u>\$ 21,304</u>	<u>\$ 1,581</u>	<u>\$ 156,754</u>	<u>\$ 1,581</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations (continued)

D. Future maturities of business-type activities are as follows:

Fiscal Year	General Obligation					
	Special Public Works, Series 1993		Refunding Bonds, Series 2001		Sewer Revenue Bond USDA Rural Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 34,247	\$ 9,859	\$ 160,000	\$ 10,480	\$ 43,980	\$ 128,063
2011	36,025	8,081	160,000	3,520	46,179	125,865
2012	37,894	6,212	-	-	48,149	123,894
2013	39,861	4,245	-	-	50,895	121,148
2014	41,930	2,176	-	-	53,440	118,603
2015-19	-	-	-	-	309,674	550,521
2020-24	-	-	-	-	395,046	465,168
2025-29	-	-	-	-	504,569	355,646
2030-34	-	-	-	-	644,031	216,189
2035-39	-	-	-	-	464,546	46,517
	<u>\$ 189,957</u>	<u>\$ 30,573</u>	<u>\$ 320,000</u>	<u>\$ 14,000</u>	<u>\$ 2,560,509</u>	<u>\$ 2,251,614</u>

Fiscal Year	ODEQ Clean Water State Revolving Loan		OECD Clean Water State Revolving Loan (1)		Compensated absences	Totals	
	Principal	Interest	Principal	Interest		Principal	Interest
2010	\$ 175,022	\$ 122,038	\$ -	\$ -	\$ 21,157	\$ 434,406	\$ 270,440
2011	180,170	116,890	136,352	129,499	-	558,726	383,855
2012	185,470	111,590	187,289	167,179	-	458,802	408,875
2013	190,925	106,135	193,757	160,711	-	475,438	392,239
2014	196,541	100,519	200,448	154,020	-	492,359	375,318
2015-19	1,072,894	412,406	207,371	147,097	-	1,589,939	1,110,024
2020-24	1,240,239	245,061	127,228	112,612	-	1,762,513	822,841
2025-29	981,546	58,152	-	-	-	1,486,115	413,798
2030-34	-	-	-	-	-	644,031	216,189
2035-39	-	-	-	-	-	464,546	46,517
	<u>\$ 4,222,807</u>	<u>\$ 1,272,791</u>	<u>\$ 1,052,445</u>	<u>\$ 871,118</u>	<u>\$ 21,157</u>	<u>\$ 8,366,875</u>	<u>\$ 4,440,096</u>

(1) The loan is currently in process and a final amortization schedule has not been established. Amounts presented are estimates based on loan proceeds which have been received through June 30, 2009.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Pension plans

Union Bank of California

The City sponsors a retirement plan for eligible employees and non-sworn police employees through a contract with Union Bank of California. The retirement plan is a defined benefit plan to which employees and the City both contribute. All full time employees are eligible to participate in the Plan after six months of employment. Benefits vest after 60 months of membership in the Plan. Employees may retire with insurance benefits at age 65 or at age 55 with 30 years of service. Employees are eligible for early retirement with reduced benefits at age 55. The Plan also provides for death and disability benefits.

The Plan requires, and it is the policy of the City, to fund all normal current and prior unfunded service pension costs over a period of ten years.

The rate of employee contribution is established in the Plan document as 6% of the basic monthly earnings. The rate of employer contributions is determined annually, based on an actuarial evaluation by Milliman USA. The employer rate for 2007-08 was 15% of employee earnings. The contribution for the year ended June 30, 2009 was \$219,639 which consists of \$151,357 for the City's portion, and \$68,282 for the employees' portion.

For the year ended June 30, 2009, the City's annual pension cost of \$219,639 was equal to the City's actual contributions. The required contribution was determined as part of the July 1, 2006 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 6.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation and seniority/ merit raises of 5.0 percent per year, compounded annually. For this valuation, the actuarial value of assets is equal to the plan's net assets, which is the fund balance of the insurance contract at the valuation date.

Fiscal Year Ended June 30,	Annual Pension Percentage of APC			Net Pension Obligation
	Cost (APC)	Contributed	Percentage	
2009	\$ 219,639	\$ 219,639	100%	\$ -
2008	211,534	212,042	100%	7,595
2007	216,783	217,575	100%	8,103

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Pension plans (continued)

Oregon Public Employees' Retirement System

The City contributes to the Oregon Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP), a cost-sharing multiple-employer hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15 or 20 year period. Employees hired on or after August 29, 2003 participate only in OPSRP. Beginning January 1, 2004, active PERS members hired before August 29, 2003 became members of the IAP of OPSRP. These members retain their existing PERS account; however any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees' Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at www.oregon.gov/PERS.

City employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent of their compensation to the plan. Current law permits the City to pay this amount on behalf of the employees. The City currently pays the 6 percent, only for represented police officers. The City's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. For employees hired before August 29, 2003, the City's contribution rate is 17.94 percent of covered compensation. For employees hired on or after August 29, 2003, the City's contribution rate is 12.61 percent of covered compensation for police and 9.0 percent of covered compensation for all other employees.

The City's contribution to the plan for the years ending June 30, 2009, 2008 and 2007, were equal to the City's required contributions for each year as follows:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>City</u> <u>Contribution</u>	<u>City Paid</u> <u>Member</u> <u>Contribution</u>	<u>Employee</u> <u>Contributions</u>	<u>Total</u>
2009	\$ 131,615	\$ 34,929	\$ 13,728	\$ 180,272
2008	134,193	32,997	16,620	183,810
2007	131,154	29,324	18,559	179,037

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1981 the League of Oregon Cities joined together with the Association of Oregon Counties to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City has obtained, from CCIS, insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

12. Interfund transfers

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

The non-cash transfers occur when a fund purchases capital assets which are used in the operation of a different fund's activities, receives proceeds from long-term obligations which are reported in a different fund, or makes principal payments on long-term obligations which are accounted for in a different fund.

Fund	Transfers In	Transfers Out
Governmental		
General	\$ 299,791	\$ 256,800
Other	635,671	148,867
Business-type		
Enterprise funds		
Sewer	147,380	360,803
Sewer - non-cash	318,640	-
Water	108,140	267,507
Water - non-cash	700,757	579,685
Other	101,300	258,305
Other - non-cash	579,685	842,685
Governmental activities		
Transfer to business-type activities - non-cash	-	176,712
	<u>\$ 2,891,364</u>	<u>\$ 2,891,364</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Segment information

The City maintains two Enterprise utilities, which provide sewer and water services. The sewer utility is accounted for in the sewer utility, sewer SDC, and sewer construction funds. The water utility is accounted for in the water utility, water SDC, and water construction funds. Summary financial information for the sewer and water utilities for the year ended June 30, 2009 is as follows:

	Sewer	Water
Condensed statement of net assets		
Assets		
Current	\$ 3,906,405	\$ 849,444
Capital	8,414,008	9,201,425
Total assets	12,320,413	10,050,869
Liabilities		
Current	945,229	574,258
Noncurrent	6,564,314	1,368,155
Total liabilities	7,509,543	1,942,413
Net assets		
Invested in capital assets, net of related debt	1,630,692	7,639,023
Restricted	691,386	309,672
Unrestricted	2,488,792	159,761
Total net assets	\$ 4,810,870	\$ 8,108,456
Condensed statement of revenues, expenses and changes in net assets		
Operating revenue	\$ 2,155,512	\$ 1,337,948
Depreciation expense	162,769	184,703
Other operating expenses	1,043,387	798,552
Operating income	949,356	354,693
Nonoperating revenues (expenses)	(190,203)	25,604
Income before transfers	759,153	380,297
Transfers in	466,020	1,388,582
Transfers out	(725,689)	(1,583,296)
Change in net assets	499,484	185,583
Net assets - beginning	4,376,869	7,922,873
Prior period adjustment	(65,483)	-
Net assets - ending	\$ 4,810,870	\$ 8,108,456

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Segment information (continued)

	Sewer	Water
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 1,188,341	\$ 615,723
Non-capital financing activities	(362,718)	(268,377)
Capital and related financing activities	(838,453)	(717,360)
Investing activities	<u>68,109</u>	<u>17,326</u>
Net increase (decrease) in cash and cash equivalents	55,279	(352,688)
Cash and cash equivalents - beginning of year	<u>3,481,660</u>	<u>903,143</u>
Cash and cash equivalents - end of year	<u>\$ 3,536,939</u>	<u>\$ 550,455</u>

14. Contingency - sick leave

Portions of sick leave accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. The City does not compensate the employees for unused accumulations upon termination of employment. As of June 30, 2009, City employees had accumulated 1,268 days of sick leave.

15. Deficit fund balance

As of June 30, 2009, the following funds had a deficit balance:

- Parks Construction: The deficit of \$1,734 will be eliminated as reimbursements, for expenditures incurred, are applied for and received from the granting agencies.
- Sewer Construction: The deficit of \$241,506 will be eliminated by proceeds from issuance of long term debt.
- Water Construction: The deficit of \$26,220 will be eliminated by proceeds from issuance of long term debt.

16. Lease agreements

The City leases office space for its public works operations. The lease expired October 17, 2009. Future required minimum rental payments for the ensuing year are \$14,145. Rent payments for the year ended June 30, 2009 were \$15,324.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

17. Restricted net assets

The amount of net assets restricted by enabling legislation is as follows:

Government activities:

Capital Projects – amounts received for System

Development Charges (SDC) are restricted
for capital improvements which expand
the capacity of the system for which the
charge was made as required by the
city ordinance imposing the SDC

\$ 602,337

Business-type activities:

Capital Projects – amounts received for System

Development Charges (SDC) are restricted
for capital improvements which expand
the capacity of the system for which the
charge was made as required by the
city ordinance imposing the SDC

932,017

Total net assets restricted by enabling legislation

\$ 1,534,354

Net assets of business-type activities have also been restricted for debt service as required by lenders as follows:

United States Department of Agriculture Rural - Development Reserve \$ 172,043

United States Department of Agriculture Rural – Debt Reserve 14,337

Oregon Department of Environmental Quality 150,387

Net assets restricted for debt service \$ 336,767

18. Expenditures in excess of appropriations

Oregon law prohibits expenditures of a fund in excess of city approved appropriations. The city council approves appropriations by department, if applicable, and by major function class (personal services, materials and services, capital outlay) for each fund.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2009, occurred as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General			
Debt service	\$ -	\$ 31,968	\$ (31,968)

19. Prior period adjustment

The beginning net assets of the Library and Sewer funds have been adjusted to correct for errors in capital assets of \$1,798,678 and \$65,483, respectively.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF STAYTON

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2009**

	<u>Special Revenue</u>			
	<u>Library</u>	<u>Street</u>	<u>Street SDC</u>	<u>Parks SDC</u>
<u>ASSETS</u>				
Cash and investments	\$ 66,939	\$ 23,455	\$ 413,470	\$ 180,473
Receivables	15,128	25,644	8,414	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 82,067</u>	<u>\$ 49,099</u>	<u>\$ 421,884</u>	<u>\$ 180,473</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 8,565	\$ 6,306	\$ 20	\$ -
Due to other funds	-	-	-	-
Deferred revenue	9,456	-	-	-
TOTAL LIABILITIES	<u>18,021</u>	<u>6,306</u>	<u>20</u>	<u>-</u>
<u>FUND BALANCES</u>				
Unreserved reported in:				
Special revenue funds	64,046	42,793	421,864	180,473
Capital project fund	-	-	-	-
TOTAL FUND BALANCES	<u>64,046</u>	<u>42,793</u>	<u>421,864</u>	<u>180,473</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 82,067</u>	<u>\$ 49,099</u>	<u>\$ 421,884</u>	<u>\$ 180,473</u>

Special Revenue				Capital Projects		Totals
Public Works Administration	Housing Rehabilitation	Vehicle Replacement	Grants	Facilities Development	Parks Construction	
\$ 26,180	\$ -	\$ 473,048	\$ 78	\$ 163,986	\$ -	\$ 1,347,629
-	200,000	-	-	10,000	-	259,186
-	-	90,000	-	-	-	90,000
<u>\$ 26,180</u>	<u>\$ 200,000</u>	<u>\$ 563,048</u>	<u>\$ 78</u>	<u>\$ 173,986</u>	<u>\$ -</u>	<u>\$ 1,696,815</u>
\$ 3,535	\$ -	\$ 16,118	\$ -	\$ -	\$ -	\$ 34,544
-	-	-	-	-	1,734	1,734
-	200,000	-	-	-	-	209,456
<u>3,535</u>	<u>200,000</u>	<u>16,118</u>	<u>-</u>	<u>-</u>	<u>1,734</u>	<u>245,734</u>
22,645	-	546,930	78	-	-	1,278,829
-	-	-	-	173,986	(1,734)	172,252
<u>22,645</u>	<u>-</u>	<u>546,930</u>	<u>78</u>	<u>173,986</u>	<u>(1,734)</u>	<u>1,451,081</u>
<u>\$ 26,180</u>	<u>\$ 200,000</u>	<u>\$ 563,048</u>	<u>\$ 78</u>	<u>\$ 173,986</u>	<u>\$ -</u>	<u>\$ 1,696,815</u>

CITY OF STAYTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	<u>Special Revenue</u>			
	<u>Library</u>	<u>Street</u>	<u>Street SDC</u>	<u>Parks SDC</u>
REVENUES				
Property taxes	\$ 131,460	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Charge for services	66,247	-	-	-
Grants and contributions	22,500	-	24,132	9,220
Licenses, permits and fees	10,414	-	-	-
Fines and forfeitures	14,953	-	-	-
Assessments	-	560	-	-
Intergovernmental	1,476	367,280	-	-
Rent	-	-	-	-
Interest	815	952	7,999	3,365
Miscellaneous	1,627	235	-	-
TOTAL REVENUES	<u>249,492</u>	<u>369,027</u>	<u>32,131</u>	<u>12,585</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	211,855	761	-
Culture and recreation	329,709	-	-	3,078
Capital outlay	44,602	87	21,906	-
TOTAL EXPENDITURES	<u>374,311</u>	<u>211,942</u>	<u>22,667</u>	<u>3,078</u>
Excess (deficiency) of revenues over expenditures	<u>(124,819)</u>	<u>157,085</u>	<u>9,464</u>	<u>9,507</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	155,500	-	-	-
Transfers out	-	(146,382)	(2,120)	(365)
TOTAL OTHER FINANCING SOURCES (USES)	<u>155,500</u>	<u>(146,382)</u>	<u>(2,120)</u>	<u>(365)</u>
Net change in fund balances	30,681	10,703	7,344	9,142
Fund balances at beginning of year	<u>33,365</u>	<u>32,090</u>	<u>414,520</u>	<u>171,331</u>
Fund balances at end of year	<u>\$ 64,046</u>	<u>\$ 42,793</u>	<u>\$ 421,864</u>	<u>\$ 180,473</u>

Special Revenue				Capital Projects		Totals
Public Works Administration	Vehicle Replacement	Grants	911	Facilities Development	Parks Construction	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,460
-	-	-	51,592	-	-	51,592
-	-	-	-	-	-	66,247
-	-	6,383	-	10,000	-	72,235
-	-	-	-	-	-	10,414
-	-	-	-	-	-	14,953
-	-	-	-	-	-	560
-	-	-	-	-	-	368,756
-	-	-	-	32,376	-	32,376
452	10,544	-	-	3,051	-	27,178
45	-	-	-	-	-	1,907
497	10,544	6,383	51,592	45,427	-	777,678
-	-	6,725	-	20,760	-	27,485
-	-	-	51,592	-	-	51,592
350,199	-	-	-	-	-	562,815
-	-	-	-	-	-	332,787
-	175,394	-	-	-	-	241,989
350,199	175,394	6,725	51,592	20,760	-	1,216,668
(349,702)	(164,850)	(342)	-	24,667	-	(438,990)
345,901	134,270	-	-	-	-	635,671
-	-	-	-	-	-	(148,867)
345,901	134,270	-	-	-	-	486,804
(3,801)	(30,580)	(342)	-	24,667	-	47,814
26,446	577,510	420	-	149,319	(1,734)	1,403,267
\$ 22,645	\$ 546,930	\$ 78	\$ -	\$ 173,986	\$ (1,734)	\$ 1,451,081

CITY OF STAYTON

**LIBRARY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 138,900	\$ 131,460	\$ (7,440)
Charge for services	52,600	66,247	13,647
Grants and contributions	22,500	22,500	-
Licenses, permits and fees	9,000	10,414	1,414
Fines and forfeitures	13,500	14,953	1,453
Intergovernmental	1,530	1,476	(54)
Interest	600	815	215
Miscellaneous	1,300	1,627	327
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	239,930	249,492	9,562
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Personal services	296,003	275,208	20,795
Materials and services	58,030	54,501	3,529
Capital outlay	44,900	44,602	298
Contingency	16,497	-	16,497
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	415,430	374,311	41,119
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(175,500)	(124,819)	50,681
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	155,500	155,500	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(20,000)	30,681	50,681
Fund balance at beginning of year	20,000	33,365	13,365
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ -	\$ 64,046	\$ 64,046
	<hr/>	<hr/>	<hr/>

CITY OF STAYTON

**STREET - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Assessments	\$ 600	\$ 560	\$ (40)
Intergovernmental	429,045	367,280	(61,765)
Interest	6,680	952	(5,728)
Miscellaneous	<u>-</u>	<u>235</u>	<u>235</u>
TOTAL REVENUES	<u>436,325</u>	<u>369,027</u>	<u>(67,298)</u>
EXPENDITURES			
Personal services	84,464	68,961	15,503
Materials and services	161,420	142,894	18,526
Capital outlay	54,700	87	54,613
Contingency	<u>33,144</u>	<u>-</u>	<u>33,144</u>
TOTAL EXPENDITURES	<u>333,728</u>	<u>211,942</u>	<u>121,786</u>
Excess (deficiency) of revenues over expenditures	102,597	157,085	54,488
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(196,382)</u>	<u>(146,382)</u>	<u>50,000</u>
Net change in fund balance	(93,785)	10,703	104,488
Fund balance at beginning of year	<u>93,785</u>	<u>32,090</u>	<u>(61,695)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 42,793</u>	<u>\$ 42,793</u>

CITY OF STAYTON

**STREET SDC - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants and contributions	\$ 32,520	\$ 24,132	\$ (8,388)
Interest	12,000	7,999	(4,001)
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	44,520	32,131	(12,389)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Materials and services	122,500	761	121,739
Capital outlay	215,000	21,906	193,094
Contingency	88,655	-	88,655
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	426,155	22,667	403,488
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(381,635)	9,464	391,099
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,120)	(2,120)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(383,755)	7,344	391,099
Fund balance at beginning of year	383,755	414,520	30,765
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ -	\$ 421,864	\$ 421,864
	<hr/>	<hr/>	<hr/>

CITY OF STAYTON

**PARKS SDC - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants and contributions	\$ 875,000	\$ 9,220	\$ (865,780)
Interest	<u>5,000</u>	<u>3,365</u>	<u>(1,635)</u>
TOTAL REVENUES	<u>880,000</u>	<u>12,585</u>	<u>(867,415)</u>
EXPENDITURES			
Materials and services	10,000	3,078	6,922
Capital Outlay	1,000,000	-	1,000,000
Contingency	<u>50,985</u>	<u>-</u>	<u>50,985</u>
TOTAL EXPENDITURES	<u>1,060,985</u>	<u>3,078</u>	<u>1,057,907</u>
Excess (deficiency) of revenues over expenditures	(180,985)	9,507	190,492
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(365)</u>	<u>(365)</u>	<u>-</u>
Net change in fund balance	(181,350)	9,142	190,492
Fund balance at beginning of year	<u>181,350</u>	<u>171,331</u>	<u>(10,019)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 180,473</u>	<u>\$ 180,473</u>

CITY OF STAYTON

**PUBLIC WORKS ADMINISTRATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 300	\$ 452	\$ 152
Miscellaneous	<u>-</u>	<u>45</u>	<u>45</u>
TOTAL REVENUES	<u>300</u>	<u>497</u>	<u>197</u>
EXPENDITURES			
Personal services	310,701	248,726	61,975
Materials and services	122,740	101,473	21,267
Contingency	<u>2,760</u>	<u>-</u>	<u>2,760</u>
TOTAL EXPENDITURES	<u>436,201</u>	<u>350,199</u>	<u>86,002</u>
Excess (deficiency) of revenues over expenditures	(435,901)	(349,702)	86,199
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>395,901</u>	<u>345,901</u>	<u>(50,000)</u>
Net change in fund balance	(40,000)	(3,801)	36,199
Fund balance at beginning of year	<u>40,000</u>	<u>26,446</u>	<u>(13,554)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 22,645</u>	<u>\$ 22,645</u>

CITY OF STAYTON

VEHICLE REPLACEMENT - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 8,000</u>	<u>\$ 10,544</u>	<u>\$ 2,544</u>
EXPENDITURES			
Capital outlay	415,000	175,394	239,606
Contingency	<u>147,085</u>	<u>-</u>	<u>147,085</u>
TOTAL EXPENDITURES	<u>562,085</u>	<u>175,394</u>	<u>386,691</u>
Excess (deficiency) of revenues over expenditures	<u>(554,085)</u>	<u>(164,850)</u>	<u>389,235</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	40,000	-	(40,000)
Transfers in	134,270	134,270	-
Advances to other funds	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>84,270</u>	<u>44,270</u>	<u>(40,000)</u>
Net change in fund balance	(469,815)	(120,580)	349,235
Fund balance at beginning of year	<u>469,815</u>	<u>577,510</u>	<u>107,695</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 456,930</u>	<u>\$ 456,930</u>
Reconciliation to generally accepted accounting principles			
Advances to other funds		<u>90,000</u>	
Net assets at end of year		<u>\$ 546,930</u>	

CITY OF STAYTON

**GRANTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 100,000	\$ -	\$ (100,000)
Grants	<u>15,000</u>	<u>6,383</u>	<u>(8,617)</u>
TOTAL REVENUES	<u>115,000</u>	<u>6,383</u>	<u>(108,617)</u>
EXPENDITURES			
Personal services	12,000	6,665	5,335
Materials and services	10,000	60	9,940
Capital outlay	<u>95,000</u>	<u>-</u>	<u>95,000</u>
TOTAL EXPENDITURES	<u>117,000</u>	<u>6,725</u>	<u>110,275</u>
Net change in fund balance	(2,000)	(342)	1,658
Fund balance at beginning of year	<u>2,000</u>	<u>420</u>	<u>(1,580)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ 78</u>

CITY OF STAYTON

**911 - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 50,000	\$ 51,592	\$ 1,592
EXPENDITURES			
Materials and services	<u>50,000</u>	<u>51,592</u>	<u>(1,592)</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF STAYTON

**FACILITIES DEVELOPMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
REVENUES			
Rent	\$ 29,000	\$ 32,376	\$ 3,376
Grants and contributions	-	10,000	10,000
Interest	7,000	3,051	(3,949)
TOTAL REVENUES	<u>36,000</u>	<u>45,427</u>	<u>9,427</u>
EXPENDITURES			
Materials and services	43,000	20,760	22,240
Contingency	139,650	-	139,650
TOTAL EXPENDITURES	<u>182,650</u>	<u>20,760</u>	<u>161,890</u>
Net change in fund balance	(146,650)	24,667	171,317
Fund balance at beginning of year	<u>146,650</u>	<u>149,319</u>	<u>2,669</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 173,986</u>	<u>\$ 173,986</u>

CITY OF STAYTON

**PARKS CONSTRUCTION - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 73,450	\$ -	\$ (73,450)
EXPENDITURES			
Materials and services	20,000	-	20,000
Capital outlay	<u>53,450</u>	<u>-</u>	<u>53,450</u>
TOTAL EXPENDITURES	<u>73,450</u>	<u>-</u>	<u>73,450</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>(1,734)</u>	<u>(1,734)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ (1,734)</u>	<u>\$ (1,734)</u>

CITY OF STAYTON

**SEWER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
REVENUES			
Charge for services	\$ 2,126,530	\$ 2,166,453	\$ 39,923
Interest	124,785	55,053	(69,732)
Miscellaneous	-	7,750	7,750
TOTAL REVENUES	2,251,315	2,229,256	(22,059)
EXPENDITURES			
Personal services	584,302	403,633	180,669
Materials and services	1,016,440	673,856	342,584
Capital outlay	470,000	333,625	136,375
Debt service	494,100	490,853	3,247
Contingency	1,317,404	-	1,317,404
TOTAL EXPENDITURES	3,882,246	1,901,967	1,980,279
Excess (deficiency) of revenues over expenditures	(1,630,931)	327,289	1,958,220
OTHER FINANCING SOURCES (USES)			
Transfers in	147,380	147,380	-
Transfers out	(360,803)	(360,803)	-
TOTAL OTHER FINANCING SOURCES (USES)	(213,423)	(213,423)	-
Net change in fund balance	(1,844,354)	113,866	1,958,220
Fund balance at beginning of year	1,844,354	2,781,858	937,504
Fund balance at end of year	\$ -	2,895,724	\$ 2,895,724
Reconciliation to the accrual basis of accounting:			
Capital assets, net		8,414,008	
Accrued interest payable		(67,856)	
Compensated absences payable		(5,845)	
Deferred revenue		3,536	
Long-term obligations		(6,783,316)	
Net assets at end of year		\$ 4,456,251	

CITY OF STAYTON

**WATER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
REVENUES			
Charge for services	\$ 1,425,570	\$ 1,342,847	\$ (82,723)
Fees and permits	9,960	9,297	(663)
Interest	16,170	9,711	(6,459)
Other	2,815	3,915	1,100
TOTAL REVENUES	1,454,515	1,365,770	(88,745)
EXPENDITURES			
Personal services	460,128	422,478	37,650
Materials and services	468,165	422,226	45,939
Capital outlay	428,100	425,106	2,994
Debt service	216,400	216,281	119
Contingency	157,065	-	157,065
TOTAL EXPENDITURES	1,729,858	1,486,091	243,767
Excess (deficiency) of revenues over expenditures	(275,343)	(120,321)	155,022
OTHER FINANCING SOURCES (USES)			
Transfers in	108,140	108,140	-
Transfers out	(267,507)	(267,507)	-
TOTAL OTHER FINANCING SOURCES (USES)	(159,367)	(159,367)	-
Net change in fund balance	(434,710)	(279,688)	155,022
Fund balance at beginning of year	434,710	458,891	24,181
Fund balance at end of year	<u>\$ -</u>	<u>179,203</u>	<u>\$ 179,203</u>
Reconciliation to the accrual basis of accounting:			
Capital assets, net		9,201,425	
Accrued interest payable		(11,429)	
Compensated absences payable		(10,909)	
Deferred revenue		2,896	
Long-term obligations		(1,562,402)	
Net assets at end of year		<u>\$ 7,798,784</u>	

CITY OF STAYTON

COMBINING STATEMENT OF NET ASSETS

OTHER ENTERPRISE FUNDS

June 30, 2009

	Water SDC	Swimming Pool
ASSETS		
Current assets		
Cash and investments	\$ 335,892	\$ 26,834
Receivables	-	12,970
	<hr/>	<hr/>
Total current assets	335,892	39,804
Other capital assets, net of depreciation	-	300,271
	<hr/>	<hr/>
TOTAL ASSETS	<hr/> 335,892	<hr/> 340,075
LIABILITIES		
Current liabilities		
Accounts payable	-	2,211
Due to other funds	-	-
Advances from other funds	-	90,000
Deferred revenue	-	-
Compensated absences	-	4,403
	<hr/>	<hr/>
Total current liabilities	-	96,614
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets, net of related debt	-	300,271
Restricted for:		
Capital projects	335,892	-
Other purposes	-	-
Unrestricted	-	(56,810)
	<hr/>	<hr/>
Total net assets	<hr/> \$ 335,892	<hr/> \$ 243,461

Sublimity RECD	Sewer SDC	Sewer Construction	Water Construction	Totals
\$ 92,725	\$ 596,125	\$ -	\$ -	\$ 1,051,576
-	-	215,591	182,825	411,386
92,725	596,125	215,591	182,825	1,462,962
-	-	-	-	300,271
92,725	596,125	215,591	182,825	1,763,233
-	-	93,785	99,829	195,825
-	-	147,721	5,154	152,875
-	-	-	-	90,000
-	-	215,591	104,062	319,653
-	-	-	-	4,403
-	-	457,097	209,045	762,756
-	-	-	-	300,271
-	596,125	-	-	932,017
92,725	-	-	-	92,725
-	-	(241,506)	(26,220)	(324,536)
\$ 92,725	\$ 596,125	\$ (241,506)	\$ (26,220)	\$ 1,000,477

CITY OF STAYTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS For the Year Ended June 30, 2009

	<u>Water SDC</u>	<u>Swimming Pool</u>
OPERATING REVENUES		
Charges for services	\$ -	\$ 137,069
Sales of merchandise	-	13,629
	<u>-</u>	<u>13,629</u>
Total operating revenues	-	150,698
	<u>-</u>	<u>150,698</u>
OPERATING EXPENSES		
Personal services	-	223,725
Materials and services	-	127,784
Depreciation	-	11,628
	<u>-</u>	<u>11,628</u>
Total operating expenses	-	363,137
	<u>-</u>	<u>363,137</u>
Operating (loss)	-	(212,439)
	<u>-</u>	<u>(212,439)</u>
NON-OPERATING REVENUES (EXPENSES)		
Capital grants and system development charges	10,680	-
Taxes	-	96,026
Interest	7,615	613
Miscellaneous	-	17,246
	<u>-</u>	<u>17,246</u>
Total non-operating revenue (expenses)	18,295	113,885
	<u>18,295</u>	<u>113,885</u>
Income (loss) before transfers	18,295	(98,554)
	<u>18,295</u>	<u>(98,554)</u>
TRANSFERS		
Transfers in	-	101,300
Transfers out	(109,010)	-
	<u>(109,010)</u>	<u>-</u>
Total transfers	(109,010)	101,300
	<u>(109,010)</u>	<u>101,300</u>
Change in net assets	(90,715)	2,746
Total net assets - beginning	426,607	240,715
	<u>426,607</u>	<u>240,715</u>
Total net assets - ending	<u>\$ 335,892</u>	<u>\$ 243,461</u>

Sublimity RECD	Sewer SDC	Sewer Construction	Water Construction	Totals
\$ -	\$ -	\$ -	\$ -	\$ 137,069
-	-	-	-	13,629
-	-	-	-	150,698
-	-	-	-	223,725
-	-	-	-	127,784
-	-	-	-	11,628
-	-	-	-	363,137
-	-	-	-	(212,439)
-	14,112	-	-	24,792
-	-	-	-	96,026
1,758	13,056	-	-	23,042
-	-	-	-	17,246
1,758	27,168	-	-	161,106
1,758	27,168	-	-	(51,333)
-	-	-	579,685	680,985
-	(149,295)	(215,591)	(627,094)	(1,100,990)
-	(149,295)	(215,591)	(47,409)	(420,005)
1,758	(122,127)	(215,591)	(47,409)	(471,338)
90,967	718,252	(25,915)	21,189	1,471,815
<u>\$ 92,725</u>	<u>\$ 596,125</u>	<u>\$ (241,506)</u>	<u>\$ (26,220)</u>	<u>\$ 1,000,477</u>

CITY OF STAYTON

**COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2009**

	Water SDC	Swimming Pool
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ -	\$ 161,888
Payments to suppliers	(12,167)	(126,796)
Payments to employees	-	(219,322)
Net cash (used in) operating activities	(12,167)	(184,230)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants and contributions	-	-
Transfers in	-	101,300
Transfers out	(109,010)	-
Net cash provided by (used in) non-capital financing activities	(109,010)	101,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from property taxes	-	95,183
Proceeds from long term obligations	-	-
Receipts from SDC assessments	10,680	-
Interfund loans	-	90,000
Acquisition of capital assets or construction in progress	-	(107,344)
Net cash provided by (used in) capital and related financing activities	10,680	77,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	7,615	613
Net increase (decrease) in cash and cash equivalents	(102,882)	(4,478)
Cash and cash equivalents - beginning of year	438,774	31,312
Cash and cash equivalents - end of year	\$ 335,892	\$ 26,834
Reconciliation of operating (loss) to net cash (used in) operating activities		
Operating (loss)	-	(211,596)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation	-	11,628
Miscellaneous	-	16,403
(Increase) decrease in accounts receivable	-	(6,056)
Increase (decrease) in liabilities		
Accounts payable	(12,167)	988
Compensated absences	-	4,403
Net cash (used in) operating activities	\$ (12,167)	\$ (184,230)
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Transfers in	\$ -	\$ -
Transfers out	-	-
Total noncash transactions	\$ -	\$ -

Sublimity RECD	Sewer SDC	Sewer Construction	Water Construction	Totals
\$ -	\$ -	\$ -	\$ -	\$ 161,888
-	(3,842)	-	-	(142,805)
-	-	-	-	(219,322)
-	(3,842)	-	-	(200,239)
-	-	-	-	-
-	-	-	-	101,300
-	(149,295)	-	-	(258,305)
-	(149,295)	-	-	(157,005)
-	-	-	-	95,183
-	-	-	500,922	500,922
-	14,112	-	-	24,792
-	-	139,395	5,154	234,549
-	-	(139,395)	(557,844)	(804,583)
-	14,112	-	(51,768)	50,863
1,758	13,056	-	-	23,042
1,758	(125,969)	-	(51,768)	(283,339)
90,967	722,094	-	51,768	1,334,915
\$ 92,725	\$ 596,125	\$ -	\$ -	\$ 1,051,576
-	-	-	-	(211,596)
-	-	-	-	11,628
-	-	-	-	16,403
-	-	-	-	(6,056)
-	(3,842)	-	-	(15,021)
-	-	-	-	4,403
\$ -	\$ (3,842)	\$ -	\$ -	\$ (200,239)
\$ -	\$ -	\$ -	\$ 579,685	\$ 579,685
-	-	(215,591)	(627,094)	(842,685)
\$ -	\$ -	\$ (215,591)	\$ (47,409)	\$ (263,000)

CITY OF STAYTON

**WATER SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 39,500	\$ 10,680	\$ (28,820)
Interest	<u>6,000</u>	<u>7,615</u>	<u>1,615</u>
TOTAL REVENUES	<u>45,500</u>	<u>18,295</u>	<u>(27,205)</u>
EXPENDITURES			
Materials and services	132,000	-	132,000
Contingency	<u>133,090</u>	<u>-</u>	<u>133,090</u>
TOTAL EXPENDITURES	<u>265,090</u>	<u>-</u>	<u>265,090</u>
Excess (deficiency) of revenues over expenditures	(219,590)	18,295	237,885
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(109,010)</u>	<u>(109,010)</u>	<u>-</u>
Net change in fund balance	(328,600)	(90,715)	237,885
Fund balance at beginning of year	<u>328,600</u>	<u>426,607</u>	<u>98,007</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 335,892</u>	<u>\$ 335,892</u>

CITY OF STAYTON

**SWIMMING POOL - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 102,325	\$ 95,183	\$ (7,142)
Charges for services	138,125	137,069	(1,056)
Sales of merchandise	17,250	13,629	(3,621)
Interest	500	613	113
Miscellaneous	150	17,246	17,096
TOTAL REVENUES	<u>258,350</u>	<u>263,740</u>	<u>5,390</u>
EXPENDITURES			
Personal services	255,693	219,322	36,371
Materials and services	129,717	127,534	2,183
Capital outlay	100,000	107,594	(7,594)
Contingency	6,600	-	6,600
TOTAL EXPENDITURES	<u>492,010</u>	<u>454,450</u>	<u>37,560</u>
Excess (deficiency) of revenues over expenditures	<u>(233,660)</u>	<u>(190,710)</u>	<u>42,950</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	101,300	101,300	-
Interfund loan proceeds	90,000	90,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>191,300</u>	<u>191,300</u>	<u>-</u>
Net change in fund balance	(42,360)	590	42,950
Fund balance at beginning of year	<u>42,360</u>	<u>30,089</u>	<u>(12,271)</u>
Fund balance at end of year	<u>\$ -</u>	<u>30,679</u>	<u>\$ 30,679</u>
Reconciliation to the accrual basis of accounting:			
Capital assets, net		300,271	
Compensated absences payable		(4,403)	
Deferred revenue		6,914	
Interfund loan payable		<u>(90,000)</u>	
Net assets at end of year		<u>\$ 243,461</u>	

CITY OF STAYTON

**SUBLIMITY RECD - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 3,800	\$ 1,758	\$ (2,042)
Fund balance at beginning of year	<u>(3,800)</u>	<u>90,967</u>	<u>94,767</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 92,725</u>	<u>\$ 92,725</u>

CITY OF STAYTON

**SEWER SDC - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 40,000	\$ 14,112	\$ (25,888)
Interest	<u>5,000</u>	<u>13,056</u>	<u>8,056</u>
TOTAL REVENUES	<u>45,000</u>	<u>27,168</u>	<u>(17,832)</u>
EXPENDITURES			
Materials and services	87,000	-	87,000
Contingency	<u>280,000</u>	<u>-</u>	<u>280,000</u>
TOTAL EXPENDITURES	<u>367,000</u>	<u>-</u>	<u>367,000</u>
Excess (deficiency) of revenues over expenditures	(322,000)	27,168	349,168
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(149,295)</u>	<u>(149,295)</u>	<u>-</u>
Net change in fund balance	(471,295)	(122,127)	349,168
Fund balance at beginning of year	<u>471,295</u>	<u>718,252</u>	<u>246,957</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 596,125</u></u>	<u><u>\$ 596,125</u></u>

CITY OF STAYTON

**SEWER CONSTRUCTION - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Materials and services	\$ 777,000	\$ 215,591	\$ 561,409
Capital outlay	4,534,000	-	4,534,000
Contingency	261,000	-	261,000
TOTAL EXPENDITURES	5,572,000	215,591	5,356,409
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term obligations	5,572,000	-	(5,572,000)
Net change in fund balance	-	(215,591)	(215,591)
Fund balance at beginning of year	-	(25,915)	(25,915)
Fund balance at end of year	\$ -	\$ (241,506)	\$ (241,506)

CITY OF STAYTON

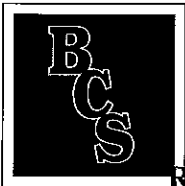
**WATER CONSTRUCTION - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Materials and services	\$ 570,000	\$ 447,560	\$ 122,440
Capital outlay	3,638,900	179,534	3,459,366
TOTAL EXPENDITURES	4,208,900	627,094	3,581,806
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term obligations	4,208,900	579,685	(3,629,215)
Net change in fund balance	-	(47,409)	(47,409)
Fund balance at beginning of year	-	21,189	21,189
Fund balance at end of year	\$ -	\$ (26,220)	\$ (26,220)

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF STATE,
AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATIONS]**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting Records and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Investments*
- *Highway Funds*
- *Public Contracts and Purchasing*



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS]
For the Year Ended June 30, 2009**

162-010-0230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS

1. Accounting records

The entity's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

2. Internal control

In planning and performing our audit, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we have issued a separate letter to management regarding internal controls.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

162-010-0240 – COLLATERAL

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

162-010-0250 – INDEBTEDNESS

1. Limitations on the amount incurred

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS.

2. Liquidation provisions, debt agreement provisions, and restricted assets

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's long-term debt issues, and no breach of the debt agreements at June 30, 2009.

162-010-0260 – BUDGET

1. Current year

A. Preparation and adoption: The budget was prepared and adopted in compliance with legal requirements.

B. Execution

The budget was executed in compliance with legal requirements, except that disbursements in excess of appropriations (which is prohibited by ORS 294.435) were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Debt service	\$ -	\$ 31,968	\$ (31,968)
911			
Materials and services	50,000	51,592	(1,592)
Swimming Pool			
Capital outlay	100,000	107,594	(7,594)

Prior to over expending an appropriation category, the board by resolution (ORS 294.450), may transfer amounts between appropriation categories.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)]**

162-010-0260 – BUDGET (continued)

2. Subsequent year

The budget was prepared and adopted in compliance with legal requirements except:

- A. Transfers budgeted as requirements did not balance with transfers budgeted as resources ORS 294.361(2).
- B. The amounts summarized in the published financial summary LB-1 did not agree with amounts on the LB-2 and LB-3.
- C. Amounts summarized on forms LB-2 and LB-3 did not agree to amounts on the budget detail sheets. ORS 294.386(1).
- D. Amounts listed in the appropriations resolution did not agree to the adopted budget.

3. Financial or organizational level of appropriations: The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

162-010-0270 – INSURANCE AND FIDELITY BONDS

1. Insurance

Policy Number	Company	Type of Coverage	Policy Renewal Date	Amount of Coverage
STT-12008	City County Insurance	Liability	7/1/2009	\$ 4,500,000
STT-12008	City County Insurance	Excess liability	7/1/2009	13,500
STT-12008	City County Insurance	Auto Liability	7/1/2009	Included
STT-12008	City County Insurance	Auto Physical Damage	7/1/2009	Per Schedule
STT-12008	City County Insurance	Real Property	7/1/2009	29,334,215
STT-12008	City County Insurance	Business Property	7/1/2009	7,489,814
STT-12008	City County Insurance	Portable/Mobile Equipmen	7/1/2009	720,647
STT-12008	City County Insurance	EDP-Computer	7/1/2009	Included
STT-12008	City County Insurance	Boiler and Machinery	7/1/2009	Included
STTW2008-00	City County Insurance	Worker's Compensation	7/1/2009	Oregon Statutory
3159435	Ohio Casualty	Fidelity Bon-Police Dept	3/11/2010	100,000
3318122	Ohio Casualty	Fidelity Bond	3/11/2010	450,600

2. Fidelity bonds

ORS 332.525 requires the Finance Director and persons authorized to handle City funds to be bonded in an amount to be determined by the City Council. The following bonds are in force in accordance with amounts required by the City Council:

Public employee dishonesty bond	\$ 450,600
Police department	100,000

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

162-010-0280 – PROGRAMS FUNDED FROM OUTSIDE SOURCES

1. General compliance:

The City operates various programs funded wholly or partially by other governmental agencies. Financial transactions of the various programs were audited to the extent deemed appropriate and were in compliance with applicable rules and regulations. In addition to our audit, these programs are subject to further review by federal and state audit agencies.

2. Single Audit Act Compliance:

Our reports on compliance with laws and regulations and on internal controls used in administering federal awards appear on pages 66 through 73 of this report.

162-010-0300 – INVESTMENTS

Funds of the District were invested in compliance with ORS 294.035.

162-010-0295 – HIGHWAY FUNDS

Revenue from taxes on motor vehicle use and fuel:

The City has complied with the legal requirements contained in Article IX, section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle use and fuel.

162-010-0310 – PUBLIC CONTRACTS AND PURCHASING

1. Awarding of public contracts

The City awarded public contracts in accordance with the requirements of ORS 279, except that the City was not in compliance with ORS 229C.305.

2. Construction of public improvements

The City constructed public improvements in accordance with the requirements of ORS 279.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

February 3, 2010

GRANT COMPLIANCE – SINGLE AUDIT



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Council Members
CITY OF STAYTON
Stayton, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF STAYTON** as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)**

We consider the deficiencies described as items 2009-1 to 2009-5 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, city council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC
Salem, Oregon
February 3, 2010



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**Honorable Mayor and Council Members
CITY OF STAYTON
Stayton, Oregon**

Compliance

We have audited the compliance of **CITY OF STAYTON**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, **CITY OF STAYTON**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

The management of **CITY OF STAYTON** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompany schedule of finding's and questioned costs as item 2009-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
February 3, 2010

CITY OF STAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal controls over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
64.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
Auditee qualifies as low-risk auditee?		No

Section II - Financial Statement Findings

2009-01

Criteria: It is the responsibility of the City's management to design and follow effective internal controls to provide reasonable assurance regarding the reliability of financial reporting.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings (Continued)

2009-1

Condition: Management has established internal control over financial reporting sufficient for its governance purposes. However these internal controls have not addressed the preparation of financial statements in accordance with generally accepted accounting principles, including appropriate disclosures.

Effect: The auditor has drafted the financial statements were submitted to management for review and approval. Management has reviewed the draft financial statements and disclosures and has represented that they have taken responsibility for the financial statements including disclosures.

2009-2

Criteria: Internal controls over general ledger balances should include procedures that include the reconciliation of accounts receivable on a regular basis to the underlying accounting data.

Condition: The City did not regularly reconcile intergovernmental and franchise fees receivable balances to the underlying accounting data.

Cause: The City did not allocate sufficient resources for the determination of accounts receivable at year end.

Effect: The City's accounts receivables were not reconciled to ensure balances were properly clearing and appropriately reflected in the financial records.

Recommendations: The City should improve internal controls to ensure that accounts receivable records and the general ledger are reconciled on a timely basis

Section II – Financial Statement of findings (continued)

2009-3

- Criteria:** Accounting controls over cash and investments include reconciling the general ledger cash balances to the bank reconciliations on a timely basis.
- Condition:** During the year, the City's cash balances in the general ledger for were not in agreement with the underlying accounting records.
- Cause:** The City did not timely reconcile the accounts.
- Effect:** Cash and deposits of the City were misstated during the year.
- Recommendations:** The City should reconcile all cash accounts to the general ledger on a timely basis. The City should establish control procedures whereby someone outside of the accounting function approves the bank reconciliation.

2009-4

- Criteria:** Internal control should be in place to ensure that all activities of the City's debt service expenditures are appropriately reflected in the underlying books and records.
- Condition:** During the year, lease payments were categorized under materials and services rather than debt service
- Cause:** The City did not record the transactions based on underlying accounting principles and local budget law.
- Effect:** Debt service expenditures were not correctly reported.
- Recommendations:** The City should implement procedures to ensure all debt service transactions are correctly reported.

2009-5

- Criteria:** Internal controls should include a level of segregation of duties over utility receipting and bank deposits.
- Condition:** We noted instances where the same person receipting the utility payments was also making the bank deposits.
- Cause:** Due to the City's small size, the utility clerks perform several functions within the department.
- Effect:** Lack of segregation of duties could prevent the detection of material misstatements caused by error or fraud.
- Recommendations:** The City should establish control procedures so that the same person who has access to the receipting records does not make the deposits.

Section III-Federal Award Findings and Questioned Costs

2009-6

- Criteria: Federal guidelines require grant recipients to obtain sufficient assurance that vendors with contracts exceeding \$25,000 are not suspended or debarred from participating in federal programs.
- Condition: The City did not have a written certification of suspension and debarment for one of its contractors and did not perform any other procedures, such as checking the federal excluded parties list issued by the US General Services Administration.
- Cause: The City contract with the vendor did not include a suspension and debarment clause.
- Effect: Without adequate controls over suspension and debarment, the City cannot ensure federal funds are paid only to vendors that are eligible to participate in federal programs. Any payments made to an ineligible party are unallowable and could be subject to recovery by the funding agency. However, we were able to verify that the vendor paid by the City was not suspended or debarred.
- Recommendations: We recommend the City improve internal controls and procedures to ensure compliance with federal grant requirements.

CITY OF STAYTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/Title or Cluster</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE</u>		
<i>Office of Rural Development</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 202,292
<u>DEPARTMENT OF JUSTICE</u>		
<i>Office of Justice Program/Bureau of Justice Assistance</i>		
Bulletproof Vest Partnership Grant	16.607	2,059
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<i>Oregon Department of Transportation</i>		
<i>Pass through the Oregon Association of Chiefs of Police</i>		
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	1,800
Occupant Protection	20.602	480
<i>Pass through the Bicycle Transportation Alliance</i>		
Pedestrian Safety Mini Grant	20.605	3,702
Total Department of Transportation		5,982
<u>ENVIRONMENTAL PROTECTION AGENCY</u>		
<i>Office of Water</i>		
<i>Pass through the Oregon Economic and Community Development Department</i>		
Capitalization Grants for Drinking Water State Revolving Funds	64.468	1,052,445
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<i>Federal Emergency Management Agency</i>		
<i>Pass through Oregon Emergency Management, Military Department</i>		
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1,510
		\$ 1,264,288

CITY OF STAYTON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ending June 30, 2009

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Stayton Services and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. Loans and Loan Guarantees

Loans outstanding and new loans made during the year ended June 30, 2009 are as follows:

CFDA Number	ProgramTitle	Outstanding Balance as of June 30, 2009	New Loans Made During the Year Ended June 30, 2009	Total Authorized Loans
64.468	Capitalization Grants for Drinking Water State Revolving Funds	\$ 1,052,445	\$ 579,685	\$ 5,138,700
10.760	Water and Waste Disposal Systems for Rural Communities	-	-	5,830,000